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Caring for Your Coast

Gary Jones
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Kerry Silverstrom
Chief Deputy

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Deputy Director

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Deputy Director

February 09, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

35 February 9, 2016


PATRICK O'BAWA
ACTING EXECUTIVE OFFICER

**CONSENT TO ASSIGNMENT OF LEASE NO. 78022 – MARINA DEL REY HOTEL (PARCEL 42 AT
13534 BALI WAY) MARINA DEL REY
(FOURTH DISTRICT) (4 VOTES)**

SUBJECT

This Board letter requests that your Board consent to a proposed assignment of the Lease Agreement No. 78022 for Parcel 42 in Marina del Rey from the current lessee to a single purpose entity wholly owned by the current lessee in connection with a refinancing loan.

IT IS RECOMMENDED THAT THE BOARD:

1. Consent to the proposed assignment of the Lease to IWF MDRH, LLC, a Delaware limited liability company.
2. Authorize the Director of Beaches and Harbors to execute any consents, estoppels, and related documentation necessary to effectuate the Lease assignment and refinancing.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On May 9, 2006, your Board approved the assignment of the Marina del Rey Hotel and marina leasehold (Parcels 42 and 43) to the current lessee, IWF MDR Hotel, L.P. (Lessee). Lessee is a single-purpose entity, whose parent company, Pacifica Hotel Investors, LLC, has significant experience in acquiring, developing, refurbishing and managing hotels, including the Hilton Garden Inn and the Jamaica Bay Inn in Marina del Rey.

Lessee holds a ground lease with the County of Los Angeles (County) for the Marina del Rey parcel commonly known as Parcel 42, on which it operates the Marina del Rey Hotel. On April 19, 2011, your Board granted an Option to Amend Lease Agreement that provided among other things: (a) the bifurcation of Parcels 42 and 43 into two separate leaseholds to allow Lessee to concentrate on hotel management, its area of expertise, and to assign the anchorage leasehold to an entity experienced in the redevelopment and operation of marinas; and (b) the extension of the Lease for an additional 39 years to December 31, 2067, and to allow the Lessee to completely renovate the 154-room property. Lessee subsequently exercised its option and bifurcated the parcels. The parties entered into the current Amended and Restated Lease Agreement on August 30, 2013.

All renovations to the improvements have been completed and the Marina del Rey Hotel is open and operating. Lessee is in the process of obtaining a refinancing loan secured by the Parcel 42 leasehold estate. Due to the requirements of its lender, German American Capital Corporation, Lessee is required to assign the leasehold to IWF MDRH, LLC, a Delaware limited liability company wholly owned by Lessee. The Marina del Rey Hotel is the only asset of the Lessee. The sole asset of the general partner of Lessee, IWF MDR Hotel, LLC, is its general partnership interest in Lessee. There will be no change in control of the holder of the leasehold interest and no change in the management of the leasehold and the hotel. Because the proposed transfer is an excluded affiliate transfer under the Lease terms, there is no participation or other fee owed to the County in connection with this transaction.

Pursuant to the terms of the Lease, Lessee must obtain the County's consent to the proposed assignment of the Lease, but such consent may not be unreasonably withheld. Under the above circumstances in which the management and beneficial ownership of the leasehold does not change, and the financial condition and creditworthiness of the new lessee entity is the same as Lessee's, the County has no reasonable basis on which to withhold its consent to the assignment. The Department of Beaches and Harbors is not authorized to provide consent on behalf of the County to an assignment of the leasehold, even under these circumstances. Accordingly, your Board's consent is requested.

Implementation of Strategic Plan Goals

The recommended action will ensure County is in compliance with its obligations under the Lease and will allow Lessee to obtain a refinancing loan, both of which promote Strategic Plan Goals No. 1 (Operational Effectiveness) and No. 3 (Fiscal Sustainability).

FISCAL IMPACT/FINANCING

The proposed consent to assignment of the Lease will have no direct fiscal impact on the County, as the proposed transfer does not trigger any contractual obligation for the Lessee to pay a participation or other fee to County.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Lease expires on December 31, 2067. The current improvements on Parcel 42 include a 154-room hotel. Parcel 42 is located at the terminus of Bali Way in Marina del Rey.

Department staff and County Counsel have reviewed the Lease and proposed assignment and have determined that the County has no reasonable basis on which to withhold its consent, and no participation fee is due to the County, since the proposed assignment is an excluded transfer under

the Lease.

Entering into leases of the County's Marina del Rey real property is authorized by Government Code sections 25907 and 25536, and the proposed assignment is allowed under the Lease.

ENVIRONMENTAL DOCUMENTATION

The proposed County consent is not a project pursuant to the California Environmental Quality Act (CEQA) because each consent is an activity that is excluded from the definition of a "project" by Section 15378(b) of the CEQA Guidelines. The proposed consent is an administrative activity of government which will not result in direct or indirect physical changes to the environment.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services or projects.

CONCLUSION

It is requested that the Executive Officer of the Board of Supervisors send an adopt-stamped Board letter to the Department of Beaches and Harbors. Should you have any questions please contact Don Geisinger at (310) 305-9506 or dgeisinger@bh.lacounty.gov.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "G. Jones", with a stylized, looping initial "G".

GARY JONES

Director

GJ:BL:dg

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors